



Gavin Newsom • Governor

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June 15, 2022

Captain Allen Garfinkle
Executive Director
Board of Pilot Commissioners for the Bays
San Francisco, CA 94111

Dear Captain Garfinkle:

Finance has received your letter dated June 10, 2022 requesting approval to increase the current Board Operations Surcharge from 5.5 percent to 6 percent, effective July 1, 2022.

Section 1159.2 of the Harbors and Navigation Code requires the Board of Pilot Commissioners to review its ongoing and anticipated expenditures on a quarterly basis and to adjust the Operations Surcharge accordingly. In addition, this statute requires approval of the Department of Finance for any surcharge amount that is less than 7.5 percent of all pilotage fees charged by pilots.

Finance understands the Board voted on May 26, 2022 to approve an increase to the Board Operations Surcharge from the current 5.5 percent to 6 percent, effective July 1, 2022. The increase in the surcharge is intended to maintain a Board Operations fund balance reserve of approximately one year of expenditures. The anticipated Board Operations Surcharge fund balance at the end of fiscal year 2021-22 is anticipated to be \$1.3 million.

Expenditures in fiscal years 2022-23 are anticipated to be \$1.6 million for the Board Operations Surcharge. With the surcharge set at 6 percent, the Board estimates 2022-23 revenue will be \$2.2 million and the fund balance at the end of 2022-23 will be \$1.7 million, which is consistent with the Board's goal of maintaining a prudent fund reserve equivalent to approximately one year of expenditures. Finance understands that shipping revenues have been lower than previously estimated as a result of foreign trade issues and the COVID-19 Pandemic, leading to the need for this surcharge change.

Based on the information provided above, the Department of Finance approves the Board's request to increase its Board Operations Surcharge to 6 percent, effective July 1, 2022.